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TO THE

ECONOMIC SCIENCE AND STATISTICS SECTION

BY

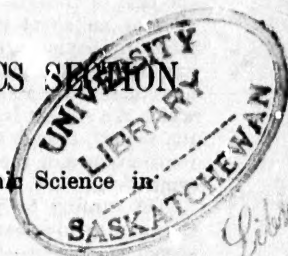
E. C. K. GONNER, M.A., Professor of Economic Science in
University College, Liverpool,

PRESIDENT OF THE SECTION.

In the selection of the subject on which I propose to offer, according to custom, a few remarks to-day, I have been influenced by the wish to choose one which is not only of present importance, but such that it may provide occasion for the discussion of the advance which economic study has made, and of the methods whereby that advance has been achieved. The position of the Labour Question in modern thought and its economic treatment is a matter well worth attention from these various points of view. In addition its consideration cannot fail to throw light on the connection which exists between the economic growth of a country and the main developments of Economics as a study. Whatever their view of the subject itself, few will deny the curiously emphatic position occupied by Labour and the various questions relating to it and its conditions at the present day. Illustrations present themselves on many sides. Evidence may be adduced from almost all quarters of literature, even from those seemingly unlikely. To the novel writer and the novel reader working-class life has formed a continent almost as newly discovered as that sighted by Columbus and others, or rather by others and Columbus, in the fifteenth century; and even when the novelist is chastened into unnecessary discretion and distant allusiveness in his description of detail and habits by the fear, perhaps the unnecessary fear, that his audience is less ignorant than himself, Labour Problems and Labour Difficulties brood like a nightmare in his mind and leave their mark on his pages. It is the same in other literature, where they reign in almost undivided monopoly. The 'working man' button-holes the reader in the library and at the news-stall, and stays beside him in the very discomfiting guise of a problem when he sits by the fireside in the evening. And as in literature so in life, as in life so in public discussion. On all sides there is the same feature. In all directions there has grown up the same tacit habit of regarding each question as hardly worth discussion till it has passed the preliminary test not only of its effect on the position of the working class, but of the view they are likely to take of it; rightly, no doubt, inasmuch as it implies the consideration of their interests, often neglected in the past; wrongly when construed into the conclusion that all measures or changes which they resent are necessarily evil. A similar tendency is shown in recent economic literature, and particularly in that of the past quarter of a century, which treats of the conditions and remuneration of manual labour with force just as undeniable as the length of the chapters and the number of the books devoted to the subject. What may be termed the bias of economic studies is very evident. Just as at one time

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the balance of trade and commercial relations with foreign countries, and at another currency schemes and currency iniquities pervaded the atmosphere, so now Labour and the Labour Question, and writer after writer struggles beneath its fascination, helpless in his efforts to avoid its introduction in every part of his work, suitable or unsuitable. Like the reference to the head of a departed English monarch, it forces an entrance page by page and chapter by chapter. What a revenge time has brought with it for former neglect! How great the present prominence is and how recent is shown by a comparison between the subjects discussed to-day and those discussed at the beginning of the present or during the past century, between the general trend of an economic treatise now and that of those of the past. Then Labour itself was the subject of bare reference as an agent of production, and as one but by no means the chief factor requiring payment, and in only a few cases were there traces that its condition and its environment were even regarded as matters for economists to discuss, while now there is the risk of other elements escaping attention. It is not the way in which the subject is dealt with that is insisted on here, but the bare prominence of the subject, though the former in its turn has changed greatly, the somewhat rigid impassiveness of the earlier date yielding to expressions of a vivid and personal sympathy.

On turning to what is the *first* portion of our task—the consideration of the causes which have made thus conspicuous one agent in production and one economic element—the identification or rather the confusion of labour with labour of one grade calls for remark. Labour is the term used to denote either the work of one class, the class, that is, which monopolises the title of the working-class, or all human work necessary to production. In some instances the term is stretched so far as to include all effort, direct or indirect, involved in production. But though instances of these different meanings are found in abundance, and though the second of them is the most strictly consistent, as it expresses the distinction between personal effort and that which is not personal, *Labour* when used emphatically and spelt with a capital initial is almost invariably, so far as popular usage is concerned, taken as implying some particular reference to the grade of manual labour. Other labour, skilled labour or labour of management, if included at all, is treated as comparatively insignificant. To all intents and purposes by labour, especially when conditions and remuneration are referred to, is meant manual labour. This restriction in definition is significant and unfortunate. Associations centring round labour in the wider sense come almost imperceptibly to be conceived of as relating to labour in the more narrow meaning of the word. Coincident with its growth in popular favour, the tendency to restrict the term has increased. It is true, of course, that in economic writings labour, when defined, is applied to personal action of all grades and of all degrees of skill, but even there laxity finds entrance in the frequent unguarded use of slipshod popular expressions, as the difficulties of labour, the labouring classes, conflicts of labour and capital, and the like, when by these are meant the difficulties and interests of one class of labour only. Such, then, is the aspect which confronts the student of social phenomena in the present day. Considerations respecting Labour have acquired, and that comparatively recently, an unusually large share of attention at the very time when the term, in popular usage at any rate, has been shorn of some part of its meaning and severely restricted in definition.

The cause of the new prominence of this class of labour form a subject of much importance, for on our knowledge of them largely rest the conclusions as to the true significance of the problem and the meaning of such results as we discern. Such knowledge also provides the means of discriminating between changes due to direct economic movements and those arising out of nothing more than an altered attitude on the part of society brought about by general causes.

To some, no doubt, the explanation of this particular change, and of the prominence of this question, lies in the greater humanity which characterises the economic thought of the present as contrasted with the past; to others, in the wide extension of the franchise, and the admission to political power of the classes whose interests lie in the above direction; while others again believe that they

find it in the subtle changes in the general conceptions of a restless and singularly receptive society. But these various impulses, important though no doubt their influence has been, are very general in character, and seem hardly definite enough to account for a change in thought so distinctive and so unrelieved in its nature, while all of them are open to the pertinent criticism that they themselves may be due in part, and in large part, to modifications in economic circumstances. Were they, or any of them, the sole or even the principal cause, it is hardly necessary to add that the alteration which has taken place has been in the way of looking at things, and not in things which are looked at. Others, again, have found their answer in the greater degree of certainty and assurance with regard to economic elements which in earlier times constituted difficulties in the way of progress and menaced considerable dangers, and it is true that much that may be urged in this direction is well founded. Capital which, at the beginning of the present century, was in imminent demand and vastly insufficient for the development of industry, has grown, not by any slow if certain increase, but by leaps and bounds just as certain, and its accumulation under the most varying vicissitudes has removed the constant apprehensions as to its supply which confront the reader in early literature. The relation between population and its food supply, which left an indelible mark on one period of economic thought, has temporarily, at any rate, retreated into the background with the opening up of new countries, the discovery of new natural forces, and the observed conditions of the more settled nations. Again, so far as England is concerned, the adoption—and for the time, at any rate, the successful adoption—of a Free Trade Policy, led to a lull in the controversies which raged with regard to tariffs, the balance of trade, and protection. Less importance, too, has been attached to difficulties involved in the ownership of the land and the conditions of its cultivation, partly through measures of economic reform, partly, so far as the older and more settled countries are concerned, by reason of the subordination of agricultural interests to the growing and giant industries of manufacture and commerce. Indeed, the only questions which remain conspicuous by reason either of agitation or intrinsic urgency relate to currency, a matter which, however pressing, suffers under the popular disadvantage that its discussion is seen to require actual knowledge, because of its use of technical terms, and one which to all of us is of increasing interest, the economic relations which should exist between the various portions of a widespread empire, with its aspirations after greater cohesion and co-ordinated though distributed strength.

But the very fact that in these respects the various nations differ largely, and that despite these differences the position of the manual labour classes uniformly impresses itself, though perhaps in varying degree, upon the plastic mind of the public, suggests the existence of some positive and active force as a cause for this prominence; and such we find in the alterations in the conditions of labour, which have led naturally, positively and necessarily to a change in the estimation in which it is held.

Though the course of economic development during the past century and a half has differed greatly in various countries, being largely affected both by the particular stage of progress to which they have attained and by the varying relative importance of the two great branches of agriculture and manufacture, a change in the method of employment is common to all. In England this feature is displayed in stronger and more definite relief, less embarrassed than elsewhere by extraneous influences; and it is in England that its nature has been most attentively studied. There the period has been one of undoubted change. The revolution in the methods of industry, of which much has been said, had its counterpart in agriculture, less noticed, perhaps, but hardly less important. While in the former the great mechanical inventions, with the introduction of water and steam-power, accelerated the change already in progress from a system of small and local industries to a system of great national industry, the agricultural classes were the witnesses of alterations as vital to their interests, and which were to co-operate in producing a remarkable alteration in the general conditions of employment. Owing partly to improvements in agriculture itself, partly to the sweeping effects of the inclosures

and the abolition of common rights, partly to the greater opportunities afforded for the use of capital by these and other causes, farming came to be carried on in greater separation from proprietorship, and both the average size of farms and of properties would seem to have increased. Agricultural labour became more and more the occupation of a class of agricultural labourers, disassociated from capital and severed more decisively than before from the ownership of the soil, or the prospect of independent cultivation. But this was the very change which took place at much the same time in manufacture. Here, too, the powerful progress of change was sweeping into the distant past the small master craftsman with his one or two apprentices and his three or four journeymen. Here, too, in ever increasing number throng those who are employed with small hope or prospect of ever employing either themselves or others. The development of the means of communication and locomotion, at first by road-making and canalisation, and afterwards by the laying and extension of the vast railway system, set free demand from those bonds or restriction which had confined it to seek its satisfaction in the products of the district, and by delocalising demand localised industry. Here and there, indeed, local industries continued to survive, here and there special circumstances stood in the way of the establishment of factories, but elsewhere and in general there emerged into view the colossal growth of the nineteenth century, the system of Great Industry. And one feature, and that the most important feature so far as we are concerned, in industry as in agriculture, was the demarcation of those engaged into the classes of Employer and Employed.

This tendency to horizontal cleavage, to borrow an expressive term, which may be studied in the contrast between the existing systems and those of the past, as well as in the history of the actual movement, was greatly accentuated by the blurring of those lines of vertical division which had left districts and local groups partially self-subsistent and separate; and, in England and certain other countries, by the disproportionate increase of the urban population, more closely knit and more sensitive to sentiments of union and the possibilities of common action. Non-competing grades have been substituted for non-competing groups. Though these former are more than two, being many in number and capable of extension so far as some degree of non-competition is concerned, there are, however, circumstances inherent in our system which make the separation between the class of manual labour and the others more complete, and restrict within the most rigid limits the competition which can take place. It has been said, indeed, that the leading feature of modern times is the substitution of the cash nexus for the personal nexus, but it may be doubted if it is really the most important. Pecuniary payments connect the employers and those who under the more skilled labour of superintendence control direction and invention, and yet these latter classes rank themselves and are ranked in general estimation with the employers rather than with the employed. They are not included popularly, at any rate, under the term *labour* when labour difficulties are spoken of. We must look somewhat deeper for an explanation. There are some three or four characteristics which may serve to distinguish labour in its popular sense from the other industrial grades.

In the first place, the work is different. Manual labour has to do what is set before it, the others have to devise what is to be done. Their work is one concerned largely with management and with organisation as a whole, and this quality not only enables them to realise the entire circumstances of the industry, but in many cases relieves them from the narrow and unsatisfying consequences of specialisation or restriction to the performance of particular portions of the common task. In the second place, the needs of the manual labour class are particular. Specialisation, and particularly manual specialisation, with its blunting effects on the mind, requires a powerful corrective. In the third place, the highly-skilled labour which directs and invents is less decisively removed from the chance of attaining to the employing class, and even if few prove successful in this to the full extent, the functions they exert are closely akin. It is, no doubt, true that no positive barrier is placed in the way of indefinite rise on the part of those engaged in labour of any kind, however unskilled; but in point of practice the obstacles to be overcome amount well-nigh to prohibition. In the fourth place, the dependence

of several millions of men for their existence on a weekly wage apportioned by others, and dependent on vicissitudes which they not only cannot control, but do not foresee, is a very striking fact. A miserable insecurity attaches to their position. But a weekly or daily wage and uncertainty are ill companions. Rightly or wrongly, the responsibility is attributed to those who pay the wage, and the inculcation of thrift, with all its good effects, only increases the confusion and sharpens the censure. The influences thus described have, no doubt, rarely been operative all to the same effect, and frequently have not been all present at the same time; but shorn though it be, in one case of one, in another case of another, the change which has passed over the lower and more numerous classes of labour is substantially the same. Owing to it labour is subject to the condition of employment by others, and is less responsible in feeling and partly in fact for its own direction, and for the continuance of the means of earning its own maintenance. To the restrictions of society with some reason, and to those who represent to him the restrictive influences without reason, the working man vaguely, if not definitely, attributes want of work, slackness of work, and change of work. Limitations of some kind have always existed, and it would be wrong to ignore the fact that the condition of the classes in question was far worse when these were the incidents of custom and external nature than at present; but then in those cases the limitations on the action of individuals were both inevitable and impersonal. In many ways they seem to have interfered less with the innate conviction on the part of those who were self-employed that failure and success rested on themselves. But now the whole bulk of the nation is employed by others. Another aspect too. People often resign themselves to the inevitable, but they do not recognise the inevitable in the actions and opinions of others.

Moreover, there are other influences besides those purely economic which have added prominence to this important separation into the two classes of Employers and Employed, a very small class of Employers and a very large class of Employed.

The extension of political power and political privileges, which has affected the operative class most of all, has had consequences in more than one direction: men who become voters exercise a greater influence on public opinion and on the opinions of their would-be leaders, than is the case when logic and argument form their only weapons or means of persuasion; and though at times this may take unpleasant forms, in the main it is a perfectly sound political result. People are not made voters in order to act as jurors in an abstract question. They are representative of particular feelings, and are responsible to themselves as to the whole State for bringing into view the interests which are theirs, and the amelioration of which forms part of the problem of government. But even more important in this connection than the influence thus summoned into being for the redress of much that is ill, is the nature of the relation between political equality and social equality. No one nowadays, or, to speak accurately, hardly anyone, believes in the vague and fantastic doctrines which embraced physical and mental equality, as if the time had come for mankind to be cast in one mould, and for identity of condition and accomplishments. But still the extension of political equality may be held to promise something. If not, what can be more vain than the cry for the extended franchise? A vote by itself is no precious possession if we consider it mainly as the right to give abstract decisions on matters of more or less general interest, and as carrying with it no social assurances. Surely a thing such as this would not have formed the motive of the great enthusiasms, and made death itself a thing of nought to those who sought it in tumultuous times. But it is just because it seemed to them to be something more than this that it won its mastery over their life, and because it is taken to be more than this that the more recent extensions of the franchise are so significant. They are construed as rationally involving a greater equalisation, so far as human opportunities are concerned, and as conveying an assurance that there shall not be, so far as society can help it, any one class condemned to bear from generation to generation the burden and toil devolving on the lowest ranks of labour. But whether the feeling be rightly defined, whether it be in itself right or wrong, a belief in such a connection is

powerful in making more conspicuous the subject of Labour, especially the position of Employed Labour.

In another way this subject gains additional prominence, as has been suggested, by the temporary abeyance of other causes of economic embarrassment, and insufficient though this might be as a substantive cause, it is impossible to under-rate its effect as subsidiary in the cause of a change already accomplished and capable of attracting more interest with each fresh access of attention bestowed upon it.

But even these do not exhaust the number of subsidiary causes to which so much is due. There are others, and though many of them are comparatively unimportant this is far from being the case with one. The age itself and the character of the age has much to do with the attention, and especially with the sympathetic attention, patiently yielded to the problem. To characterise an age is never easy. It is difficult even when the age is far distant and the human memory so far kind as to refuse to retain more than one or two pieces of information, letting the others slip through and fall into a deep and unrecovered oblivion. How much more difficult when the epoch is our own? But in this instance there are some few features so marked and so capable of identification, that one pauses to ask in amazement if the age of the Renaissance has not dawned upon us again in an altered guise. The resemblance is the more striking if we take the general characteristics and aspect of the two periods as distinct from the particular direction in which the respective movements trend. A renaissance is twofold. On the one hand it is a time of unrest, due, indeed, to the breaking down of old ideals and the decay of former springs of conduct and life, but due also to the magnificent new life quivering to its birth. On the other hand, the meaning of the particular renaissance is to be found in the nature of its own ideals and the fresh direction and impetus imparted to life. Briefly, it is not only a change but a particular change. What the new ideals are and what the new direction, will be determined by the past history and the present needs of the nation passing through its time of stress, and groping blindly after the truth which is to give meaning to its actions, and which it must struggle to express in art and literature and by every means at its command. Analogies between this present period and that of the fifteenth and sixteenth centuries present themselves in different ways. Then, as now, the time was one of discovery, for the great geographical discoveries of the earlier epoch find a counterpart in the scientific discoveries which, like them, have had effects both destructive and constructive; destroying, that is, convictions and opinions resting on certain narrow conceptions of the sphere of life, but giving opportunity on the other hand for new ideas and vaster conceptions. Both are times of a new learning, and though the causes giving rise to the enthusiasm for knowledge may differ, in both cases knowledge has been sought in a return from theories rigid and out of consonance with life to life itself and the facts of life. In the sphere of religion and morals the likeness is strangely evident. In both cases the particular form of religion was found inadequate, in both cases there was failure to distinguish between the fleeting form and the abiding reality, and in both cases there were particular tendencies, largely by way of result, affecting morals and conduct. In the fifteenth century, as now, these latter were not so much in the direction of that coarseness which somehow or other is often called immorality, but rather in that of a lack of moral discrimination and will. Prejudices are to be put on one side, prejudices as to morals, prejudices as to the relations of sexes, prejudices as to one thing and the other. What does it mean? Partly, perhaps, a positive uncertainty—sometimes a pretended uncertainty—as to right and wrong; partly, again, a wanton and curious desire to experiment on all sides and everywhere, to gain emotional experience irrespective of the means and the cost whereby it is gained. Novelty is allowed to cover a multitude of sins. Some such impulse reveals itself in the literature and life of the Renaissance. Do we recognise nothing like it in the present day?

This peculiar moral attitude has its bearing on the subject of our consideration. Each age works out its own salvation. The mediæval Renaissance found its salvation in the emphasis of individuality, alike in religion, in the State, and in

industrial activity. At the present we seem tending in another direction, and in response to our needs and our circumstances seeking a positive moral guidance in an enlarged conception of social duty and solidarity; and the position which employed labour occupies with regard to them is sufficient to insure it attention, and not attention only, but sympathetic attention. Those who have lost their means of faith in the first commandment of the New Testament turn with feverish haste to work out their salvation by a stricter attention to the second, and those whose faith is unimpaired but spiritual vision enlarged perceive that the one is imperfect without the other. Social regeneration, socialisation, collectivism, social duty, social action, are phrases which occur in profusion, and, though they disfigure the language, mark the attitude and give distinction to the actions of the present. In England, at any rate, the imagination of the people has been struck and its feelings stirred with regard to this particular problem, which stands out before other matters sharply marked and conspicuous.

But though it is true that many general influences have combined to increase this prominence, its main and original cause lies in the vast economic change which has swept mankind into two opposite, though not necessarily opposed, classes. To realise the history of that change is a first step towards understanding its nature and its consequences. But for it it would be possible to interpret present complaints as but the repetition of those of the past, and as finding prototypes in the outcries which have arisen from time to time from those who brooded over the contrasts between the poor and the rich. They would mean nothing more than did many an early pamphlet bearing such a title as 'England's Crying Sin with Regard to the Poor.' Or, again, the opposition might be construed as an antagonism between Labour and Capital, in disregard of the union existing between labour of a certain kind and capital, and of the confusion which such a distinction involves between profits and interest.

Of equal importance is the light which history throws upon the present condition of the masses affected by this grave economic change. Its effects might well have been experienced in two ways. Not only did the power of directing their lot pass from them to others, resulting in somewhat subtle consequences as regards the burden and pride of feeling the full responsibility for action, but in addition it would not have seemed unnatural had they experienced considerable material injury from a competition against an employing class with a practical monopoly of capital; and it is true that the conditions of that competition, which, be it remembered, determines the division of the product between wages, profits, and interest, were in one respect altered to their disadvantage. But in another way, and due to the self-same causes, new opportunities were offered for the development of organisations which were to turn the balance in their favour. Till the change of which we have been speaking, till the breaking down of local divisions which held separate those in like circumstances and of like interest in different places, till the simplification into one class of employed of so large a number of those whose means were small, common action for common ends, as, indeed, any definite control and direction by a central authority, were impossible. Thus the very forces occasioning change provided the means for its beneficial regulation. The narrowness of view attributed to a too rigidly specialised labour has been met by educational advantages which, in England at any rate, found their occasion in the factory organisation which began to spread through the country at the close of the eighteenth century. Factory development has given rise to a control which fails of its effect when called on to penetrate into the small workshops and the seats of home industries. Dependence on wages finds a corrective in the growth of benefit societies and the insurance clauses of trade associations; separation from management and capital has in some instances been stayed by schemes for co-operation and profit-sharing; while the greatest defect of all, the weakness of employed labour in competition with the allied and resourceful forces of capital and management, has led to the marvellous organisation of trade unions and kindred associations. In face of these remedial agencies, and despite the mismanagement and abuses which have attended many of them, the ill-fate which seemed at one time to menace the condition of those whose strength lay in

manual exertion has not been realised. On the contrary, these classes have shared to the full in the increased results attending production. According to the most reliable estimates, their condition has undergone not only absolute but relative improvement; and this is due largely, if not altogether, to the opportunities concealed in the bosom of the economic causes which affected employment so ominously. The true remedies are those which arise out of the historical circumstances of the complaint.

The points which have demanded attention are these. Firstly, the causes primarily economic which have made labour difficulties so prominent; secondly, the nature of the great economic change resulting in the separation of the labour under employment from that determining and directing industry; and thirdly, the extent to which this has furnished opportunities for the formation of labour associations, and the development of a State policy for regulating the conditions of employment. With regard to the latter point much has been said. It has, for instance, been argued by some that the great modern interdependence of labour of different kinds, the growth of State control, and the supersession in many directions of the private employer by large companies, trusts, and syndicates, are indications of the necessity and possibility of the monopoly and entire management of industry and commerce by the State. But the simplicity of this remedy, which has proved so attractive to many who dwell in a world of ideas as far removed as possible from fact, is an indication of weakness in the eyes of the student of social and historical phenomena. As he examines the varying moods and forces which unite in the tangled complex of modern industry and society, as he traces from their growth the tendencies which have made them what they are, interweaving, counteracting, modifying and coalescing in the pages of history, he grows aware of the intricacies of the economic constitution and mistrustful of simple theories based on the confident recognition of some elements and the neglect, equally confident, of many others. The one-sided solution is no solution at all. Similarly insufficient is the reading which finds a confirmation of unrestricted individualistic competition in the increased social demand for enterprise and individual energy. The careful study of the past two centuries enforces several conclusions as to economic tendencies all of which require recognition. In the first place, with the growth of intricacy and the extension of the area of production and distribution, the free exchange of commodities has become more and more the one effective means of ascertaining what is wanted and what are the requirements of the community. In the second place, so far from there being a diminution, there has been an increase in the urgent need for eliciting and stimulating individual ability. While, in the third place, the necessity for State regulation has been enforced and new opportunities for it provided.

In turning to the *second* matter for consideration, the treatment by economists and in economic writings of Labour and the circumstances of employment, and its results in providing better means of forming correct judgment and judiciously guiding action, will occupy our attention. On the importance, in this respect, of researches into economic history, little need be added. Its value is felt in every direction. Not only does it discountenance premature generalisation based on insufficient, and, if I may use the expression, fleeting data, but it guards us against the still greater danger of first forming conclusions on hypotheses, and then forgetfully assuming that these conclusions are based on observed facts. Viewed more positively, it adds the conception of organic development and furnishes a large share of the knowledge which forms a preliminary to judgment, and which should form a preliminary to social action. But the point to be insisted on here is the enormous recent advance achieved in this direction. Again, the abstract theory of distribution, dealing with the relation between various classes of payments, as rent, profits, interest and wages, has undergone considerable change, owing to the labours of the mathematical school and other economists, who, starting from the qualitative conceptions first prominently employed by Ricardo, have dealt with the inter-relation of these and their connection with value. But by far the most notable progress has been in matters involving quantitative, as well as, or in place of, qualitative admeasurement.

Here rank the elaborate and important researches into the effects produced by alterations in the rate of wages and the hours of labour, into the causes which condition interest and govern its rate, into the effect of royalties and rents in various industries and under varying conditions. While as regards general well-being a vast mass of material has been accumulated, and many careful and suggestive treatises published. We know infinitely more than was known even a short time back about the effect of occupations on health; the character of working-class expenditure and the relation between such expenditure and receipts; the different modes of payment for labour with their respective consequences; the experiments in co-operation, in profit-sharing, in socialism, in communism, in municipal and State management, and other different directions; more about the effect of charity in relation to earnings; about attempts at arbitration, and the like. We have histories of trade unions, of co-operation, of benefit societies, and of other associations depending on working men's efforts for their maintenance in the various industrial countries. The effects of monopolies and partial monopolies resting either on legislative grant or perpetrated in practice have been carefully examined. Modes of trading, with their almost invariable fringe of speculation, have been treated of, with the view of ascertaining their influence on the standard employments of the nations. These are but illustrations, but they are sufficient for the purpose. They point to active growth in Economics in regard to this particular subject. On the other hand, they are painfully insufficient in themselves. We may know more, but we want to know more still. Concurrent with the advance in knowledge, the general conceptions of labour and with reference to its treatment have undergone alteration most marked in three directions. Labour power is no longer viewed as a mere aggregate of hard and disconnected units which can be sifted out or increased under the stress or stimulus of unhindered competition. We recognise that the labour which survives may be so affected in and by reason of the very process of its selection as to be widely different from the forces contemplated and required. In social evolution degeneration, or at any rate variation in the surviving factor, is an almost regular phenomenon. In the second place, the effects of conditions on efficiency have been established in a variety of directions, a matter of peculiar importance when we pass from the contemplation of the working powers available at any given time to questions of their permanence and their future. In the third place, the economic change in the circumstances of employment has served to introduce to the notice of economists the necessity of certain agencies to counterbalance the lack of self-direction and responsibility, agencies, that is, of education and combination.

In view of such and other developments, the great need of the present, apparent nowhere more forcibly than with regard to the matter occupying our attention, is on the one hand the careful modification of the general body of economic reasoning in their light, and, on the other hand, continued close inductive study into the circumstances of both the past and the present. This latter is indeed necessary. To recognise this does not imply any disparagement of other methods required in other stages. In many of the subjects already singled out for notice preliminary deductions have been made and have proved of the highest value. The theory of non-competing groups, the earliest refutation of the wage-fund theory, the theory of the effect upon productivity of altered hours and wages, afford admirable instances of the way in which truths afterwards established on a wide inductive basis were foreshadowed, and an estimate of their importance attempted by writers proceeding along the lines of partial observation and large use of assumption; but these in common with other like attempts must be regarded as preliminary. They do not indicate, for instance, the extent to which the element of which they treat is important. Surely it is just here that we see the necessary relation and mutual importance of the different methods of study which have sometimes been treated as antagonistic. Preliminary and working theories are necessary to the wise conduct of inductive inquiries, but these in their turn are necessary to formulate a theory which may be something more or something other than that which it supplants, which is to be representative in place of being suggestive. But it is a grievous mistake to take the working theory for the necessary

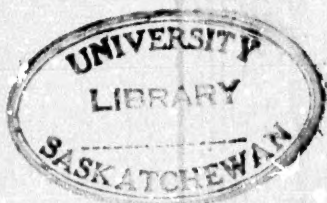
substance, and to assume that the importance of all subsequent researches lies in their connection with it, and that their function is its general verification and further development, whereas they may bring about its actual subversion.

A survey of the results achieved in a particular branch of Economics affords an excellent opportunity for examining the mutual interaction of various methods of study, and their combined progress. The work of the economists of the period extending over the close of last century and the earlier portion of the present one, a period which, as a living economist has well said, has been inaptly and unfortunately termed classical, was mainly occupied in preliminary discussion and in its formulation of theories, some of which dealt with qualitative relations, and many of which must be viewed as working theories only. They dealt, among other matters, with such questions as the connection between the various classes of remuneration and their relation with value, the distinction between utility and material, the causes necessitating payment, and the effect of condition upon the agents of production; but in nearly every one of these respects very much was left for subsequent generations of students to accomplish, and the way for inductive research was but prepared. And much has been accomplished. Theories have been modified, theories have been recast, and new theories have been formulated.

But this gradual advance in study, necessary though it be and common though it is to all sciences and subjects, stands at a peculiar disadvantage in the case of social science, and, to take our particular case, in that of Economics. Here everything is claimed, not only as a working theory for the investigator, but as one for practical people and the statesman, and error is invested with grave, positive consequences. Incorrect theories as to taxation led to the separation between England and those colonies which now form the United States of America; unsound economic and social theories lit throughout Europe the cleansing if devouring fires of the French Revolution; unsound economic theories threatened to sap the vigour of England in the third and fourth decade of the present century, and, to take a specific instance, embodied themselves in the opposition to Factory Reform. This peculiar gravity is at once the difficulty and the importance of economic study. But when the mistakes of Economics, thus sadly illustrated, are cited in its disparagement, does it never occur to those kindly anxious to enforce the salutary lesson, how grave would have been the result had like importance been attached to other sciences in their earlier stages? Have they not had their working theories and made their mistakes? A review of the course of any one of these shows that the difference between such a one and Economics is not in greater immunity from error, but in the degree of importance attaching to the error. This in its turn has its lesson, or rather its lessons. We in this generation have to pay for the wrong attitude assumed in previous times by those who confused working and tentative theories applicable to one time and one place with truths of universal application, proclaiming their belief with a trying absence of misgiving and hesitation. On the other hand, the immense importance of sound economic knowledge, the danger of that which is unsound, coupled with the fact that all legislation and every person must have and will proceed on some economic theory, emphasises the need of stimulating economic research and economic teaching. Other sciences are needed by those training for particular professions; this is needed by all those who, either by action, word, or vote, have a part in the direction of the destinies of a country. It has been suggested with cheap cynicism that differences among economists disprove the utility and need of the study. What a pitiable confusion between the spheres of physical and social science. The majority of men are none the worse in their daily life for a general ignorance of chemistry or biology, but in the case of Economics matters are far otherwise. An average citizen can do and does without a knowledge of theories of chemistry; but some economic theory he will have and some basis for economic action he has or assumes that he has. The only point at issue is whether he should form his opinions after study or in ignorance. Differ though they may on many points of detail and method, economists at any rate will agree in the belief that study is a better

preliminary for economic action than neglect. Knowledge must be sought by the study both of economic method and of economic facts.

The particular question which has occupied our attention illustrates very vividly the great advance made in economic knowledge of recent years. Taken by itself as a type of the general progress which has taken place, a review of its course should serve to reassure those who are tempted in moments of depression to believe that the want of adequate recognition of the study is in some way or other a symptom of its backwardness or failing vitality. The reverse is true. It is the living character of Economics which leads to the demand that its importance should be duly recognised. The advance has been remarkable. The spirit which animates inquiry is as vigorous in the field of Economics as anywhere else. But this much must be remembered. In Economics, as elsewhere, the attainment to anything approaching a perfected theory is very far distant, for a complete theory implies not only full knowledge of facts, but their correct treatment. How distant such a goal is the hardest worker in the field knows best of all, for the circumstances of his inquiries teach him how slow progress is, and how great the continent into which his enthusiasm as a pioneer has enabled him to penetrate some little distance. A few generalisations which may endure, a somewhat mixed mass of material, a brief influence, constitute the work of the foremost. And yet in the history of any science there come times when things move more rapidly than is their wont, as when waters chafing in a narrow passage suddenly burst down all obstacles, and establish themselves once and for ever in a wider channel. It is possible, it seems even probable, that some such moment of advance is before Economics. Materials have been accumulated with singular diligence, critical sagacity has discriminated and classified, and some great constructive advance seems not far distant. The atmosphere of economic thought is instinct with expectation. With a new realisation of the economic elements and motives of society, in the light of some conception perhaps little taken into account as yet, we shall stand nearer to the problem one part of which we strive to unravel—the forces which govern action and constitute society.



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